Biotechnology

IMMP - NASDAQ March 6, 2019

Intraday Price 03/6/2019	**$2.33**
Rating:	Buy
12-Month Target Price:	$7.00
52-Week Range:	$1.70 - $4.21
Market Cap (M):	77.8
Shares O/S (M):	33.4
Float:	NA
Avg. Daily Volume (000):	46
Debt (M):	$6.2
Dividend:	$0.00
Dividend Yield:	0.0%
Risk Profile:	Speculative
Fiscal Year End:	June

Total Expenses ('000)

	2018A	2019E	2020E
H1	7,058	8,364A	8,515
H2	7,032	8,531	9,225
FY	14,090	16,895	17,739

Immutep Limited

Buy

Advancing the Second Merck Collaboration, TACTI-002 Doses First Patient

Summary

- **Immutep announced the dosing of the first patient in the P2 TACTI-002 basket study of its lead asset eftilagimod alpha ('efti', LAG-3) with Merck's (MRK - NR) Keytruda, evaluating the combination in PD-X naïve or refractory patients (lung and head & neck).**
- **The P2 study (TACTI-002) is enrolling up to N=109 patients in 13 centers across the US, EU, and Australia.**
- **Recall, Keytruda is approved in both the 1L and 2L settings for lung and 2L in H&N. In our view, as Keytruda is likely becoming the standard of care in 1L lung with chemo + Keytruda combo (approval was based on overall response rate of 58% vs. 38% chemo alone), the bar is higher. However, Keytruda as monotherapy in H&N was approved in 2L with an ORR of 16%, and a complete response (CR) rate of 5%.**
- **Incremental but positive. More mature TACTI-mel data (N=24) was presented at the World Immunotherapy Congress 2019 in San Diego on 3/5. The results from Part A of the study (3 cohorts, n=18 total), where efti is added at cycle 5 of Keytruda, continues to show durability (up to 30 months from the previous 27 months reported; see our note from 11/27) with ORR of 33%. In Part B (n=6), where efti is given cycle 1, day 1 of Keytruda, ORR also remains consistent at 50% with treatment ongoing 6+ months in four patients.**
- **Conclusion. For checkpoints, the future lays in combination treatments. Immutep's five collaborations {GlaxoSmithKline (GSK - NR), Novartis (NVS - NR), EOC Pharma (private), Merck, and Merck KGaA/Pfizer (PFE – NR)}, four in the oncology space, lends further support for its LAG-3 program.**

Details

Merck collaboration (efti + Keytruda combo): Eftilagimod, TACTI-mel study. P1 (N=24) efti + Keytruda in patients with unresectable or metastatic melanoma that have poor responses or have had disease progression on Keytruda monotherapy. The study is now fully enrolled with the final patient in Part B (n=6) recruited and dosed with treatment. Positive data from Part A (n=18) has been reported with early positive data from Part B as well. Durable responses continue to be seen in **Part A** (up to 30 months now vs. 27 months previously reported). Overall response rates of 33% and disease control rate of 66% remained consistent with previous disclosures for Part A. No new safety signals were observed. Tumor shrinkage was observed in 10 (56%) of patients, including two that had complete disappearance of all lesions. Four patients still remain on progression free survival (PFS) follow up after 12 months. In **Part B**, combination treatments were initiated from the beginning of cycle 1, day 1 of Keytruda. An ORR of 50% has been demonstrated to date, with deep partial responses seen in these patients. Treatment of 4 patients is ongoing (6+ months, up from prior 3 months reported). The data thus far are suggestive that efti, as an immune activator, is enhancing the immune response to otherwise "cold tumors". Final data is expected later in 2019. **Eftilagimod, TACTI-002 study.** The open-label, multi-center P2 collaboration with Merck in NSCLC (1L PDX-naive and 2L PDX-refractory) and HNSCC cancer (2L PDX-naive) will enroll up to N=109, across ~13 sites in US, EU and Australia. Patient recruitment initiated 1Q19, with 7 sites open to date in US (1), EU (4) and Australia (2); initial data 2H19. The primary endpoint of the study is objective response rate (ORR) according to iRECIST. Key secondary endpoints include: safety and tolerability of the combo; response rate according to RECIST 1.1; disease control rate (DCR); progression free survival (PFS); overall survival (OS); and pharmacokinetic and immunogenicity profile of efti.

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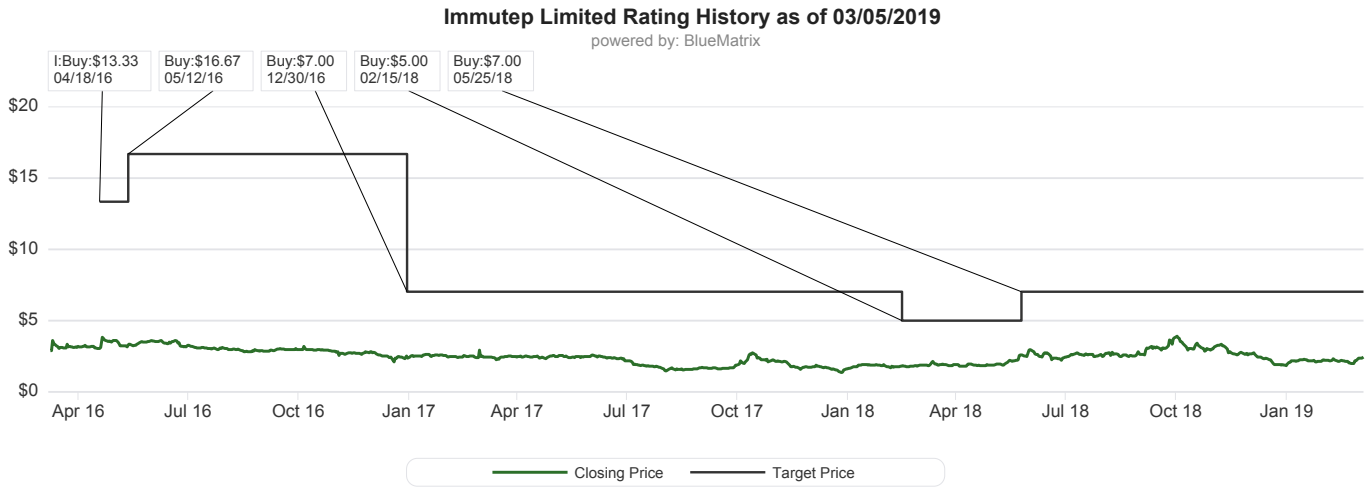
DISCLOSURES



Maxim Group LLC Ratings Distribution		As of: 03/05/19	
		% of Coverage Universe with Rating	% of Rating for which Firm Provided Banking Services in the Last 12 months
Buy	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to outperform its relevant index over the next 12 months.	**84%**	**37%**
Hold	Fundamental metrics are currently at, or approaching, industry averages. Therefore, we expect this stock to neither outperform nor underperform its relevant index over the next 12 months.	**15%**	**22%**
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	**1%**	**0%**
	**See valuation section for company specific relevant indices*		

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The research analyst(s) primarily responsible for the preparation of this research report have received compensation based upon various factors, including the firm's total revenues, a portion of which is generated by investment banking activities.

Maxim Group makes a market in Immutep Limited

Maxim Group expects to receive or intends to seek compensation for investment banking services from Immutep Limited in the next 3 months.

IMMP: For Immutep, we use the BTK (Biotechnology Index) as the relevant index.

Valuation Methods

IMMP: Our therapeutic model assumes a royalty structure for each LAG-3 product, initially with IMP701 and IMP731 in 2020 and followed by IMP321 in 2023 (breast cancer). Our models assume risk adjustments for each product based on the stage(s) of development. Our therapeutic

models assume a risk adjustment. We then apply a 30% discount to our free-cash-flow, discounted EPS, and sum-of-the-parts models, which are equally weighted to derive a price target.

Price Target and Investment Risks

IMMP: Aside from general market and other economic risks, risks particular to our price target and rating for Immutep include: (1) Development—To date, LAG-3 checkpoint modulators have not been approved; (2) Regulatory—The company's ongoing and future studies may not be sufficient to gain approval; (3) Commercial—The company lacks commercial infrastructure to support a launch if approved; (4) Financial—The company is not yet profitable and may need to raise additional capital to fund operations; (5) Collaborative—The company has ongoing collaborations with large pharmaceutical companies who could back out of the partnerships, setting back development on product lines and increasing costs; (6) High volatility of the company's stock price.

RISK RATINGS

Risk ratings take into account both fundamental criteria and price volatility.

Speculative – Fundamental Criteria: This is a risk rating assigned to early-stage companies with minimal to no revenues, lack of earnings, balance sheet concerns, and/or a short operating history. Accordingly, fundamental risk is expected to be significantly above the industry. Price Volatility: Because of the inherent fundamental criteria of the companies falling within this risk category, the price volatility is expected to be significant with the possibility that the investment could eventually be worthless. Speculative stocks may not be suitable for a significant class of individual investors.

High – Fundamental Criteria: This is a risk rating assigned to companies having below-average revenue and earnings visibility, negative cash flow, and low market cap or public float. Accordingly, fundamental risk is expected to be above the industry. Price Volatility: The price volatility of companies falling within this category is expected to be above the industry. High-risk stocks may not be suitable for a significant class of individual investors.

Medium – Fundamental Criteria: This is a risk rating assigned to companies that may have average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to approximate the industry average.

Low – Fundamental Criteria: This is a risk rating assigned to companies that may have above-average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to be below the industry.

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